

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF FLAT CREEK RESOURCES, LLC
FOR COMPULSORY POOLING AND NOTICE OF
OVERLAPPING SPACING UNIT,
EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Flat Creek Resources, LLC, OGRID No. 374034 (“Flat Creek” or “Applicant”), as operator and on behalf of FE Permian Owner I, LLC, as working interest owner, files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Bone Spring formation (WILLOW LAKE; BONE SPRING, WEST [96415]) in a standard 320-acre, more or less, horizontal spacing and proration unit (“HSU”), comprised of the N/2 N/2 of Sections 22 and 23, Township 24 South, Range 26 East, in Eddy County, New Mexico and, as an alternative, a standard 240-acre, more or less, HSU, comprised of the N/2 N/2 of Section 22 and the N/2 NW/4 of Section 23, Township 24 South, Range 26 East, in Eddy County, New Mexico. In support of its application, Flat Creek states as follows:

1. Flat Creek is the operator acting on behalf of FE Permian Owner I, LLC, a working interest owner in the proposed HSU, which has the right to drill thereon.
2. Flat Creek proposes to drill the following well in the 320-acre HSU: **Jurnegan Fed Com BS2 #1H** well, to be horizontally drilled from a surface hole location approximately 965’ FNL and 610’ FWL of Section 22, T24S-R26E to a bottom hole location approximately 440’ FNL and 100’ FEL of Section 23, T24S-R26E.

3. In the alternative, Flat Creek proposes to drill the **Jurnegan Fed Com BS2 #1H** well, from a surface hole location approximately 965' FNL and 610' FWL of Section 22, T24S-R26E to a bottom hole location approximately 440' FNL and 2,540' FWL of Section 23, T24S-R26E.

4. The completed interval and first and last take points for either proposed HSU will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

5. The purpose of the alternative proposal is to prepare for a potential issue relating to any delay in reinstatement or re-leasing by the Bureau of Land Management for the N/2 NE/4 of Section 23. A lease for this acreage, which was held by a third party, recently expired but the third party is in the process of requesting reinstatement.

6. Upon information and belief, the proposed HSU will partially overlap a proposed HSU by another operator, which proposes development of Section 22 together with Section 15, T24S-R26E.

7. Flat Creek has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

8. Approval of the HSU and the pooling of all mineral interest owners in the Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

9. In order to permit Flat Creek to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Flat Creek should be designated the operator of the HSU.

WHEREFORE, Flat Creek requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 7, 2024 and that, after notice and hearing as required by law, the Division enter an order:

A. Creating a standard 320-acre, more or less, HSU comprised of the N/2 N/2 of Sections 22 and 23, Township 24 South, Range 26 East, and, as an alternative, a standard 260-acre HSU, comprised of the N/2 N/2 of Section 22 and the N/2 NW/4 of Section 23, Township 24 South, Range 26 East, in Eddy County, New Mexico.

B. Pooling all mineral interests in the Bone Spring formation underlying the HSU;

C. Allowing the drilling of the following well in either of the alternative HSUs:
Jurnegan Fed Com BS2 #1H well;

D. Designating Flat Creek as operator of the HSU and the well to be drilled thereon;

E. Authorizing Flat Creek to recover its costs of drilling, equipping and completing the well;

F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% penalty for the risk assumed by Flat Creek in drilling and completing the well against any interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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Attorneys for Flat Creek Resources, LLC

Application of Flat Creek Resources, LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation (WILLOW LAKE; BONE SPRING, WEST [96415]) in a standard 320-acre, more or less, horizontal spacing and proration unit ("HSU"), comprised of the N/2 N/2 of Sections 22 and 23 ("2-Mile HSU"), Township 24 South, Range 26 East, in Eddy County, New Mexico and, as an alternative, a standard 240-acre, more or less, HSU, comprised of the N/2 N/2 of Section 22 and the N/2 W/4 of Section 23 ("Alternative HSU"), Township 24 South, Range 26 East, in Eddy County, New Mexico, if timing issues arise with securing the Bureau of Land Management lease for the N/2 NE/4 of Section 23. Applicant proposes to drill the following 2-mile well in the HSU: **Jurnegan Fed Com BS2 #1H** well, to be horizontally drilled from a surface hole location approximately 965' FNL and 610' FWL of Section 22, T24S-R26E to a bottom hole location approximately 440' FNL and 100' FEL of Section 23, T24S-R26E. In the alternative, Flat Creek proposes to drill the **Jurnegan Fed Com BS2 #1H** well, from a surface hole location approximately 965' FNL and 610' FWL of Section 22, T24S-R26E to a bottom hole location approximately 440' FNL and 2540' FWL of Section 23, T24S-R26E as a 1.5-mile lateral in the Alternative HSU. The completed intervals and first and last take points in either HSU will meet statewide setback requirements for horizontal oil wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and land are approximately 6 miles South West of Whites City, New Mexico.